Management Discussion and Analysis

ECONOMIC OVERVIEW

Global

Year 2020 has been unlike any in the history of mankind. COVID-19 completely upended the socio-economic-politico world order with survival taking absolute precedence over even sustenance and livelihood, for individuals, societies & Governments. While US Presidential Elections and the stress on World Trade due to USA-China disputes were significant events with likelihood of medium-to-long terms impacts on World economy, even they paled in comparison as mankind battled to overcome the pandemic.

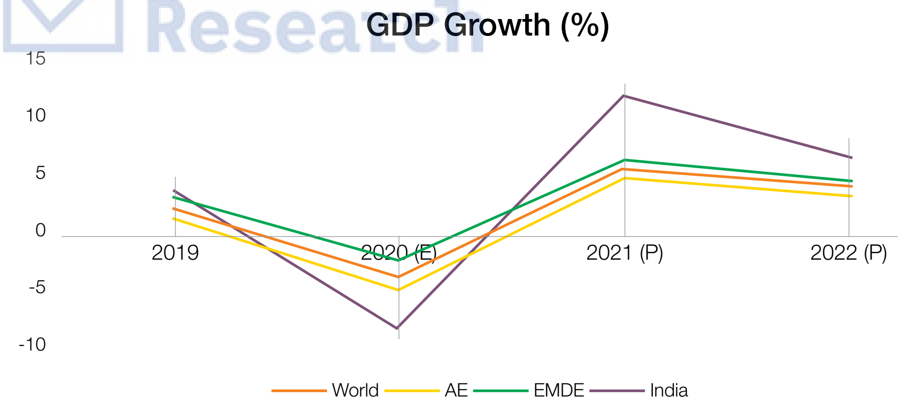
The impact of COVID-19 led challenges on Businesses and Economies has been traumatic. Organizations and Companies were just not prepared for and just could not have foreseen either the severity or the duration of the impact it would have, on the tightly enmeshed and inter-dependent business eco-systems. World over, manpower resources were confined to home and supply chains were disrupted, impacting raw material and parts supplies even to industries minimally dependent on human interventions.

World's financial resources were focused on providing emergency Healthcare and Financial support to large sections of the populace. While in developed countries some measure of relief was made available to businesses also, in nations with limited economic resources, businesses were largely left to fend for themselves. Our nation fell into the latter category.

Concentrated efforts in preventive measures across the globe and the discovery of vaccines & its roll-out in record time, had brought the pandemic under some degree of control towards the final quarter of FY21, but the risk of fresh outbreak remain high. Indeed, by the time the first quarter of FY22 came to a close, many parts of the world were reeling under the 2nd wave of the pandemic. India, regrettably, has become one of the worst affected nations.

The world economy at large appears on the road to recovery, although the pace and degree varies considerably across nations. Developed nations have progressively opened up social gatherings and even travel to select destinations. During 2020, the Advanced Economies (AEs), and Emerging Markets and Developing Economies (EMDEs) de-grew by 4.7% and 2.2% respectively according to IMF's World Economic Outlook of April 2021. China, a large global GDP constituent in the EMDE block, has been the sole economy to defy the trend to register a positive growth of 2.3% in 2020.

IMF predicts a sharp recovery in 2021 to be followed with a relative moderation in 2022. In 2021 the World, AEs, EDMEs and India are expected to growth at 6%, 5.1%, 6.7% and 12.5% respectively.



India

India resorted to stringent lock-down measures during the April-June 2020 period. Many businesses came to a grinding halt and most experienced sharp contraction due to greatly reduced economic activity. Government of India rolled out progressively larger stimulus packages and this, in some measure, allowed the weaker sections of the society cope with unprecedented challenges. India, the second largest constituent of EMDE block, is estimated to have witnessed a steep contraction of 8% in 2020. However, the Government's strict lock-down measures, accelerated expansion of COVID-19 treatment infrastructure, coupled with the fiscal stimuli had started initiating a V-shaped recovery of economic activities in the later part of the year.

Even during the heights of the pandemic crisis, India's overall fiscal position was strengthened by a 13% growth in Foreign Direct Investment (FDI) during 2020. Even though, according to United Nations Conference on Trade and Development's (UNCTAD's) 'investment trends monitor', the global FDI in 2020 shrunk by 42% to an estimated USD 859 billion from the level of USD 1.5 trillion during 2019, India saw significant foreign investments flowing into the digital sector, e-commerce, IT consulting and data processing services. According to IMF, India is expected to be at the forefront of world's recovery of economic activities with projected GDP growths of 12.5% in 2021 and 6.9% in 2022.

	2019	2020(E)	2021(P)	2022 (P)
World	2.8	-3.3	6.0	4.4
AE	1.6	-4.7	5.1	3.6
EMDE	3.6	-2.2	6.7	5.0
India	4.0	-8.0	12.5	6.9

Source: WEO April 2021, IMF

Middle East and Central Asia

IMF estimates the economy of the Middle East and Central Asian region to have de-grown by approx. 2.9% on the back of highly diminished tourism income. IMF has projected that the region is likely to rebound to grow at 3.7% in 2021 and 3.8% in 2022. The economic recovery is likely to be asymmetrical for the countries in this region, on the back of difference in approach to the pandemic and vaccine rollouts and the recovery graph of the tourism industry. Recovery and sustaining of oil prices will naturally have a major influence on the economic recovery of the region.

IMF has projected that growth curve will be sharper for countries in the region which began their vaccination programs early, such as the Gulf Cooperation Council countries.

Sub-Saharan Africa

IMF reports that the resource-constrained Sub-Saharan African region experienced a de-growth of 1.9% in 2020. The region is expected to see a growth of 3.4% in 2021 and 4% in 2022. The COVID-19 pandemic took an especially heavy toll in countries like Ghana, Kenya & Nigeria.

Turkey

The COVID-19 pandemic brought the Turkish economy almost to a standstill. The challenges still remain, although there has been gradual improvement in the business sentiments in the second half of 2020. IMF has projected the economy to grow at 5% in 2021 and 4.5% in 2022, led by surge in domestic demand buoyed by a stimulus program that totals 13% of GDP, backed by support via the banking sector in the form of partial credit guarantees and loan deferrals. Some of the other fiscal support measures undertaken by the Turkish government included payments to households, assistance to furloughed workers, and tax deferrals. However, the Government's stance on the monetary situation and its measures to curb inflation remains cause for concern. During Q4 20-21, TRY (Turkish Lira) has depreciated 12% against USD (United States Dollar) and consequent to the depreciation, effective income tax in Turkey was at 86% in Q4, against the standard rate of 20%.

Overall, the macroeconomic scenario remains vulnerable and uncertain as rising inflation, unemployment and continued geopolitical tensions constitute significant headwinds.

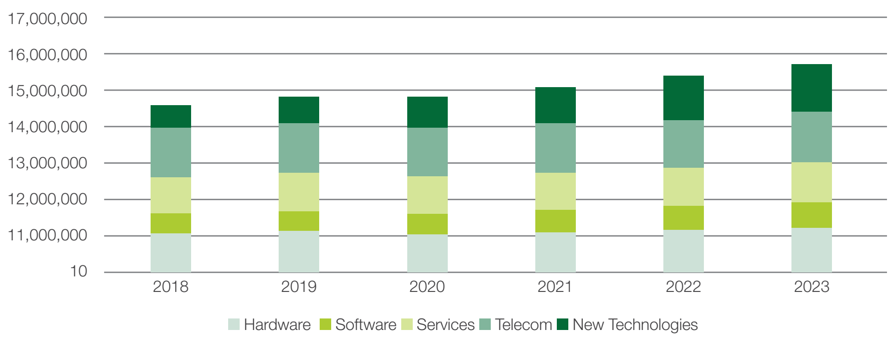
Information and Communications Technology (ICT) Industry Overview

Global

The adverse impact of the pandemic on Global ICT spending has resulted in flat year-on-year growth of the overall industry during 2020. However the explosion in Work-from-Home, Learn-from Home & Connect-from-Home requirements meant that sectors of Technology, which facilitate and enable Virtual Communication witnessed very high demand during the year. This was particularly so for Personal Computing & Communication devices like PCs & Smart Phones. According to IDC, the overall ICT spending in 2021 through 2023 is expected to grow at least by 5% per annum, on the back of deeper penetration and application of New & Emerging Technologies like Internet of Things (IoT), Artificial Intelligence (AI), Machine Learning (ML), Robotics, Augmented Reality (AR) & Virtual Reality (VR) and cutting edge Communication technology. IDC predicts these technologies to represent over 25% of Global Annual ICT spend by the year 2023.

The demand for traditional ICT products & solutions is expected to closely track the GDP and will be largely driven by adoption of Cloud & migration to the next-gen Communication & Connectivity technologies. Across the world, businesses continue to leverage ICT to drive Digital Transformations within their organizations.

Worldwide ICT Spending 2018-2023 ($Million Constant Currancy)



Technology Spending SM	2018	2019	2020	2021	2022	2023
Traditional Technologies	$4,005,011	$4,146,194	$4,005,032	$4,130,843	$4,277,843	$4,453,674
New Technologies	$653,808	$766,521	$891,760	$1,030,455	$1,189,208	$1,362,017

(Source: IDC)

The global laptop market is expected to grow by ~9% to touch $115.88 billion in 2021. The growth continues to be fuelled by demands of WFH, LFH & CFH environments, as Individuals & Organizations continue to adopt the new normal, embracing a permanent changes in their work-life and social-life that reflect pandemic induced caution. Even as societies gradually open up and return to normalcy, the way people & companies connect & work has undergone a permanent metamorphism. By 2025, the global laptop market is expected to touch $149.02 billion at a CAGR of 6.5%, according to The Business Research Company. The overall ICT spending, telecom services and IT, is expected to grow at 1.9% to surpass $209.5 billion in the Middle East, Turkey, and Africa (META) in 2021, as per the IDC.

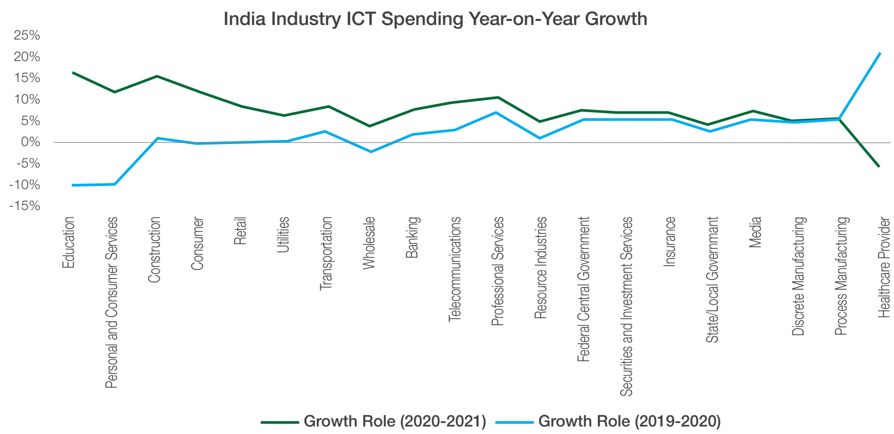
The propensity of people to connect & remain online is also hugely contributing to the burgeoning demand for personal devices in the form of Laptops, Tablets & Smart Phones. Globally, the average time spent by an internet user has gone up to 6.5 hours per day. In 2020 alone, there were more than 4.66 billion people who used internet (about 60% of the world's population) as COVID-19 pandemic forced businesses and people to operate, socialize and entertain themselves remotely.

India

The growth of ICT spend in India depends heavily on the speed at which the country is able to overcome the second wave of pandemic which has once again brought in severe restriction on the movement of people & goods since the beginning of May 2021. Large scale investments in IT infrastructure by Organizations will be contingent on the overall sentiments and business confidence. Rapid Digital transformation by organizations and products and solutions that aid this journey will continue as topmost priority, as companies evolve themselves to address the pandemic induced new norms. The shift in focus towards technology & solutions essential for organizations to greatly enhance their Digital quotient is expected to drive ICT investments in the foreseeable future.

Of critical importance to the growth of ICT industry in India is the Government of India's initiatives in pursuit of the "*Aatmanirbhar Bharat Abhiyan*". "Make in India" and "Production led Incentives" (PLI), targeted to accelerate India's manufacturing infrastructure and capacity, while ensuring Global competitiveness, in order to ensure not only domestic consumption, but also successful exports, would require investments in leading-edge technologies drive towards all-encompassing Digital Transformation.

According to IDC, the ICT spend in India is expected to grow over 10% to touch $91 billion in 2021 and $111 billion by 2024.



IDC

Source : ICC Worldwide ICT Speriding Gunde Industry and Company @2001 growth in currancy

The readiness of the Indian consumer towards adopting all things Digital points to the opportunities that will present itself to the ICT industry in the area of technology-led, Consumer focused Services & solutions.

The Banking and the Telecommunications industries are expected to be the highest growth sectors, contributing around 14% towards the overall ICT spend in 2021, driven by investments in enhanced Customer Experience (CX), Business Continuity and Cyber Security.

ICT spend in the Telecommunication industry is expected to grow at 9.1% in 2021, as operators continue to focus on Cost Efficiencies in order to squeeze maximum possible profits from the world's lowest ARPU regime.

According to Gartner, Data Centre Systems segment will see an approximate spending of $3,559 million, a 4.3% YoY increase, while Enterprise Software segment will see nearly $7,713 million spent, a 13.3% increase over last year. The devices segment which took a knock in 2020 seeing a decline of 15.2% in spending, is also expected to increase from $32,213 million in 2020 to $34,692 million in 2021, an increase of 7.7%. Much would however depend on product availability and restoration of normalcy in the supply chain.

Company Business Review

Redington India Limited's business is divided into four broad categories, including Consumer IT, Enterprise IT, Mobility and Services.

India Operations

Consumer IT Business

India's PC market witnessed strong demand due to Covid-19 induced adoption of WFH, LFH & CFH. Supply constraints meant that the entire demand could not be fulfilled but notwithstanding that the total Indian PC shipments actually grew by 9% during FY 2021 vis-à-vis FY 2020. Desktop category witnessed a decline of 30% YOY. However, this was more than made up by the Notebook category, which witnessed very high demand and as per IDC, shipments grew by 27% YOY.

Of particular importance was the increase in share of mid-high end PCs, including a significant increase in growth in the high-value Gaming PC segment.

As a Distributor for all the major PC vendors in India, your Company was in a position to take full advantage of the sharp increase in the demand of PCs. The "Connect from Home" environment led to very high demand for Consumer PCs, with a YOY growth of 44%. There was a slight drop in the shipment of Commercial PCs, due to the lock-down induced closure of Offices for prolonged periods during the fiscal.

High demand of PCs, coupled with disruptions in manufacturing & of supply chain resulted in shortage of PC components and this is likely to continue during FY 22 also. This will impact the PC shipments and demand is expected to continue outstrip PC supplies. As one of the largest distributors in the country with marquee brands in its portfolio, your Company is well positioned to take full advantage of the strong PC demand.

Enterprise IT Business

The COVID-19 pandemic led closure of Offices, Business Establishments and in many cases, of Manufacturing Units working at part capacities, resulted in a pause, or cut-back or reprioritizing of investment in IT products & solutions. Organizations targeted investments towards 'mission-critical' technology, applications and services, in order to quickly orient themselves to the new norm of WFH. According to Gartner, overall IT spend fell by 2.7% during CY 2020. Cloud & Digital Initiatives were the main growth areas during FY 21. Technology refresh by SMBs and Enterprises remained largely muted, except for select sectors.

Gartner forecasts overall IT spend in India to grow by 6.8% in CY 2021, to reach a level of $88.8 Billion. Enterprise software is likely to be the biggest growth area at 8.8% as Organizations continue to align themselves permanently to semi remote work environment. This will result in significant investments in Cyber Security solutions, as Enterprises strengthen their defenses against possible malignant breaches. The adoption of Cloud, which gained momentum during the pandemic will continue to accelerate as more and more SMBs realize the advantages and flexibility that Cloud technology offers.

Your Company saw significant traction in its Cloud portfolio with major progress in offering Cloud Managed Services. Education sector was one of the biggest contributors to the Company's Enterprise revenues as the sector undertook technology adoption and investments in a big way. Other Enterprise verticals which continued to invest in IT were BFSI, Telecom, e-Commerce & Healthcare. Government investments were carefully directed at technology advancements in key areas which helped in mitigation of the pandemic and augmenting critical infrastructure.

We are proud to share that your Company was the preferred partner for Cisco in a project aimed at helping the Government of India setup its War room to effectively tackle the COVID-19 pandemic. We also partnered with key Vendors like Microsoft, Google and Cisco to help enablement of Education Institutions as they adapted to a prolonged period of Learn-from-Home environment. As part of this, your Company in partnership with Mircrosoft, under its "Fastrack" Program, empowered more than 450 institutions across the country.

The rapid shift towards remote working environment, due to COVID-19 related challenges in 2020, exposed companies to vulnerabilities and security related challenges. In a bid to mitigate these risks and establish a secure work environment, companies need to invest heavily in Cyber Security Technologies & Solutions. According to Gartner, India's spend on Enterprise Information Security and Risk Management is expected to rise 9.5% in CY 2021 to touch $2.08 billion. As the major Network Solutions & Network security vendor, Cisco has targeted areas of Cloud Access Security Brokers (CASB) and Cloud Workload Protection Platform (CWPP), for their investments in India during 2021.

With Automation & Digital transformation clearly the Future of Work, your Company has been investing in Skills & Resources to emerge as a complete solution provider for some of cutting-edge technology practices.

We are investing in and streamlining our business models to strengthen our partnerships and offerings in the areas of Digital Technologies & Solutions, Hybrid Cloud, Cyber Security Solutions, Data Centre Modernization, Application Modernization, AI & ML, IoT & Analytics, Enterprise DevOPs and Automation.

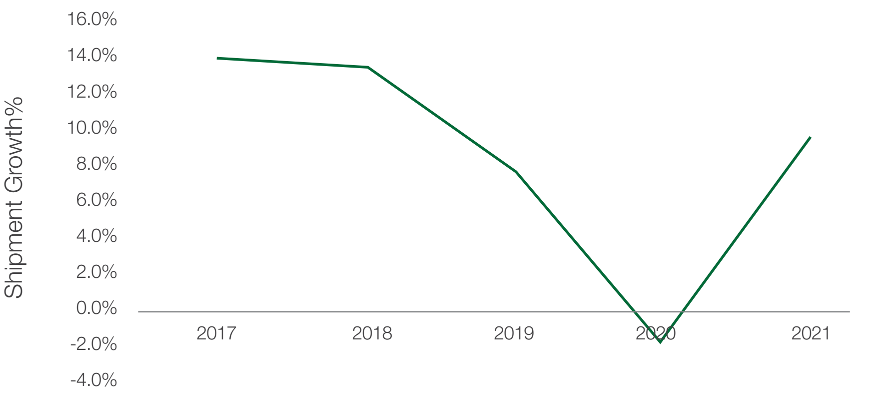
Mobility

Just as in the case of Personal Computing Devices, demand for Smart Phones witnessed a surge during the pandemic as they became the primary mode of connecting with the World outside your home. While the Indian smartphone market began the year 2021 with a healthy 18% year-over-year (YoY) growth during Jan-March 2021, as per IDC, the shipments actually declined by 14% from a strong Oct-Dec 2020 quarter. The onset of the second wave of COVID-19 infections towards the end of the first quarter of CY2021 resulted in subdued consumer demand. IDC expects a rebound in consumer sentiments in the second half of CY2021, resulting in a single-digit growth annually.

The adoption of 5G technology will be a major growth driver in the future as Indian Telecom service providers progressively upgrade. The unqualified success of 5G enabled Apple iPhone 12 line up is indicative of the fact that consumers are waiting for the new-age communication technology and as more and more 5G enabled Phone models are launched, awaiting 5G network roll-out in the country, the demand is set to grow even further. IDC projects 5G smartphones shipments to hold nearly 40% of the total global volumes in 2021 and grow further to 69% by 2025. Demand pattern in India is expected to grow along similar lines, once 5G network roll-out begins.

Despite the huge demand surge, India's smartphone market actually witnessed a YOY shipment decline of 1.7%, with a sale of 150 million units. This is attributed to the very sluggish performance during most of the first half of 2020 due to prolonged lock-downs with customer access to products limited to e-Commerce sites. Shipments rebounded strongly in the second half of 2020 with a YoY growth of 19%.

India Smartphone Market, Annual Shipment Growth

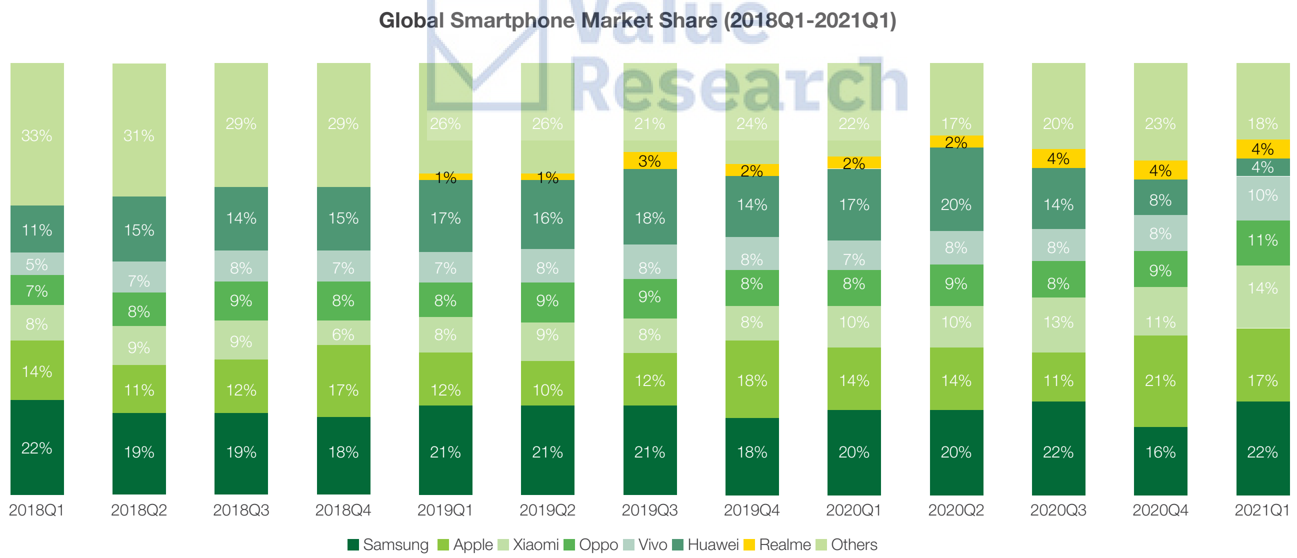


Source: IDC, 2021

Government of India's emphasis on "Make in India" prompted a shift in focus on the part of Smart Phone vendors, towards accelerating the development of an ecosystem for in-country manufacturing. The government's push towards *Aatmanirbhar Bharat Abhiyan* and reduction in taxations is aimed at making India an attractive investment destination and global OEMs have put in place investment plans to take advantage of this and set up manufacturing facilities in India, not only to cater to the local demand, but also for exports.

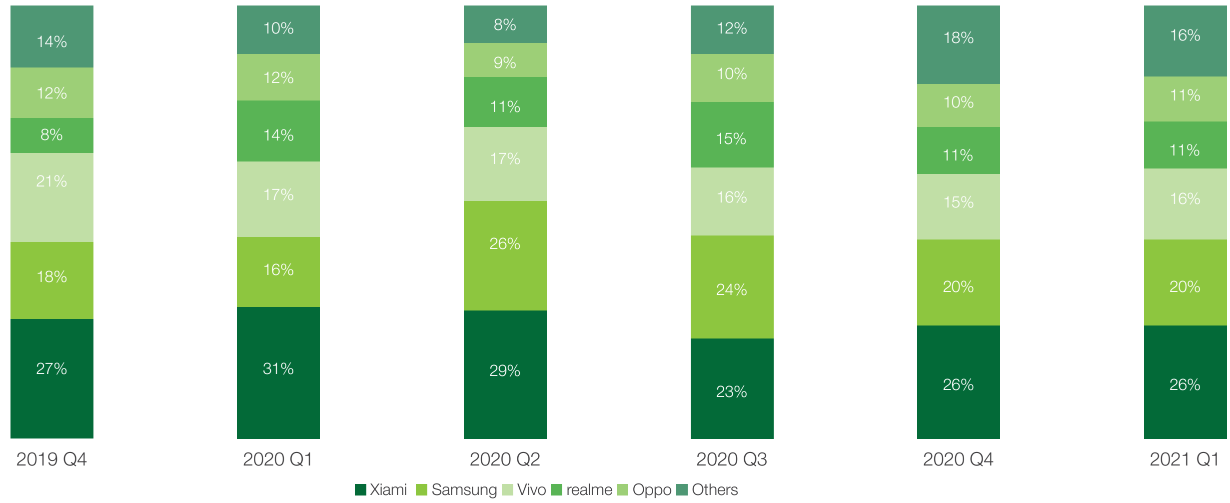
In 2020, 5G smartphone shipments crossed 3 million Units in India, primarily due to highly competitively priced products offered by Chinese brands. The real surge in customer demand is however expected only after the roll out of 5G networks, expected through late 2021 & 2022.

Your Company's Smart Phone business witnessed a growth of more than 40% in FY 21 on the back of strong demand for Apple iPhones and a very successful launch of the new iPhone models during the October-December, 2020 quarter. Your Company's strong engagement with the Brand and the channel eco-system ensured that it could capture a major share of the iPhone demand. Apple's dominance in the high-value Smart Phone segment has positioned the brand at the forefront of demand of customers looking for high quality, feature-rich Smart Phones, which provide great user experience and offer seamless voice and video connectivity during the pandemic induced remote working and remote socializing. This places your Company in an extremely advantageous position to capture the high-end of the consumer demand.



Source: MOBILE DEVICES MONITOR - Q1 2021

India Smartphone Market Share (2019 Q4 - 2021 Q1)



Services

Cloud

Cloud technology lends itself seamlessly to the remote working environment compelled by the COVID-19 induced lock-downs and isolation. During FY 21, Cloud adoption in India gathered momentum as Organizations looked at building agility, efficiencies, resilience and Opex optimization to address rapidly changing business eco-system. Companies have started leaning on cloud-native architecture that allows them cater to customer and end-user demands in an efficient & cost-effective manner. Many organizations and businesses have started leveraging Cloud technology for bringing about increasing innovation in their operations & offerings.

Your Company has positioned itself as a leading Cloud Solutions Provider in the country, offering a comprehensive bouquet of Cloud Environment Solutions to partners and end-users. From re-selling of Cloud products, to providing end-to-end Cloud Consulting and Cloud Managed Services, with special focus on SME and mid-market segment, your Company is today the preferred Cloud Solution Provider for more than 6000+ partners and 2500+ customers. In the short span of its foray into Cloud business, your Company has already enabled 350+ Cloud migrations and has handled 100+ Enterprise workloads.

Redington Cloud Managed Solutions (RCMS) is intricately designed to closely monitor and enhance the entire journey from assessment to implementation/ migration and onto optimization. Our Cloud Vendors include the biggest technology names in the industry – Amazon Web Services, Microsoft, IBM & Oracle. Cloud consultancy form a key part of our offerings as it helps customers identify and realize the synergistic benefits of back-end and front-end integration.

Your Company's continued investments in Cloud related skills and infrastructure will ensure that it remains fully equipped to take full advantage of the surge in Cloud adoption by Indian customers.

Digital and 3D Printing

With businesses and companies fully or partially closed and social functions like weddings being heavily truncated, commercial printing encountered serious challenges during FY21. Digital printing market witnessed a sharp de-growth during the first half of the financial year, as investments in Capital heavy equipment were either cancelled or deferred by Printing houses.

Steady business recovery was witnessed during the second half and with Digital Printing being the future of the industry, we expect the high-growth momentum to be regained during FY22. Globally, the digital printing market is expected to grow at a CAGR of 6.7% during the 2021-2026 period.

In India, Digital Printing has found ready acceptance in the Photo, General commercial printing, Labels and Packaging applications. Our strong engagement in these sectors ensures that your Company will be able to take full advantage of the business opportunities as the demand gains momentum.

Your Company's Centre of Excellence for Digital Printing has been showcasing Digital Printing technology to potential customers, demonstrating the advantages of high capacity efficiencies via rapid innovation, shorter time to market, reduced inventory carrying cost and a more efficient supply chain.

Security Printing and Smart Packaging has been gaining momentum world-wide, including in India. With more and more companies looking at embedding intelligence in the packaging of their products to avoid counterfeits, the future of security printing technology is strong and widespread across industries.

As the markets rebound from pandemic induced slow-down, we also foresee a surge in demand for 3D Printing from Healthcare, Automotive and Infrastructure sectors. During the initial months of pandemic emergency, your Company in partnership with HP, leveraged its 3D Printing infrastructure to produced 1.5 lakh parts for ventilators within 30 days for AgVa Healthcare.

Your Company's strong partnership with HP in the area of Digital & 3D Printing places it in a very strong position in this futuristic business segment.

Overseas operations

Redington's Overseas operations are carried out through its wholly-owned subsidiaries including, Redington International Mauritius Limited, Mauritius (RIML) and Redington Distribution Pte Limited, Singapore (RDPL). While RIML addresses the Middle East, Turkey, Africa (META) region, RDPL addresses South Asian region comprising of Sri Lanka, Bangladesh, Nepal and Maldives, apart from handling "Zero-Duty" business opportunities in the Indian Market.

Your Company's geographical spread in various Emerging Markets across South Asia & META is a carefully crafted strategy to not only address the IT & Mobility demand in some of the fastest growing markets, but also to de-risk its dependency on any single geography.

Overseas Business (in ₹ Crore)	FY21	FY20	Growth (Y-O-Y) %
Revenue	34,158.5	32,694.2	4.5%
EBITDA	879.5	652.9	34.7%
PAT	510.7	375.9	35.8%
ROCE (net)	39.2%	19.9%	
Free CashFlow	2,464.7	175.4	

% Contribution of Overseas to Redington Group	FY21	FY20
Revenue	59.9%	63.5%
EBITDA	61.1%	61.0%
PAT	67.5%	73.0%

RIML

The dual effects of COVID-19 and sharp decline in oil prices had manifold economic consequences across the Gulf region. It significantly aggravated the demand shock faced by the hydrocarbon industry, already having to contend with a global slowdown.

It has brought about a greater sense of urgency in ME economies to diversify & de-risk its dependency on oil revenue. Consequently, many steps have been taken which include liberalizing norms for foreign shareholding in local companies and other economy linked polices as also easing of many restrictions. Large infrastructure projects have been initiated that offer investment opportunities to foreign companies.

The countries in Africa had to go through staggered but longer lock down periods during the year, impacting many businesses across sectors. This, in turn, impacted Government revenues, which resulted in lower Government spending on infrastructure.

It is believed that an additional 9.1% of the population in sub-Saharan Africa have fallen into extreme poverty as a result of COVID-19, with about 65% of this increase resulting due to the prolonged lockdowns. The lockdowns in sub-Saharan African countries are likely to fully erode household savings of nearly 30% of the population, sharply diminishing the resilience to future shocks for these economies.

Consumer IT Business

The Personal Computing Devices market in Middle East and Africa (MEA), which is made up of desktops, notebooks, workstations, and tablets, saw shipments increase by an impressive 23.5% year on year during Q3 FY 2021, according to industry analysis conducted by International Data Corporation (IDC). The pandemic-induced factors that drove the market's growth in the second and third quarters of FY 2021 continued to have a positive impact on demand in Q4 FY 2021 as well.

As per IDC, the effects of the COVID-19 pandemic continued to drive demand for PCDs across the region, thanks to the continuation of widespread home learning and remote working practices. The biggest growth was seen in Egypt, where a massive delivery of tablets to the country's education sector. This caused multifold growth in shipments into the country. This delivery was part of a much bigger government-backed education initiative.

Turkey was another big driver, where PCD shipments grew more than 50% year on year in Q3 2020 as the country recovered from the significant slowdown in PCD demand it experienced last year. In other key markets, Saudi Arabia and the UAE both experienced modest growth in shipments; however

Enterprise and Cloud Business

Despite the downturn, Internet Service Providers (ISPs), and Information Technology (IT) infrastructure providers and data centres have seen significant increase in demand, primarily due to the shift towards home and remote working.

The COVID-19 pandemic and subsequent economic fallout has accelerated digital transformation across the region, spurring unprecedented demand for contactless services, cloud solutions, and collaboration applications.

There has been an uptake for digital communications tools and the role that Cloud technology can play in business continuity strategy. In fact, the spending on digital transformation (DX) is set to gather even more pace in the post-pandemic period, increasing from 25% of total IT spending in 2020 to 37% in 2024.

In Saudi Arabia alone, IT spending is expected to rise 4.2% to reach $11.1 billion in 2021, with services and devices accounting for more than half of the market. Markets across the META (Middle East, Turkey and Africa) region are experiencing similar trends. Spending on public cloud services in the region will grow 26.7% to top $3.7 billion with growth across SaaS, PaaS, and IaaS.

According to IDC, the investments in digital transformation and Cloud technology will help drive a 2.8% increase in spending on IT in META market during

CY 2021. It is expected to reach $77.5 billion, after a decline in CY 2020.

Mobility Business

Q4 CY 2020 saw most GCC countries attempting to return to some state of normalcy, with borders re-opening to regular travel, especially in the UAE, where the vaccine roll-out was beginning to take place in the earnest. Although, consumer spending remained focused on essentials, there was a release of pent-up demand, particularly for iOS devices.

Saudi Arabia accounted for 49.4% of all smartphones shipped within the GCC region in Q4 CY 2020. The UAE accounted for 26.1% of the region's smartphone shipments and recorded QoQ growth thanks to the strong performance of Apple's new releases and mid-range models from brands like Samsung.

Redington International Mauritius Limited, Mauritius (RIML) is a leading partner for the vendors in the distribution of technology products and solutions in the META region. In FY21, the META region's contribution to the Company's Overseas Business stood at 92.4%. Your Company significantly improved its earnings from this region.

During FY21, crude oil prices were severely impacted due to travel restrictions and general slow-down of economic activities, which caused drastic erosion in the demand of petroleum products. Since the economies of many of the countries in the region are heavily dependent on oil prices and tourism, FY21 was an extremely challenging year for all business activities.

Like in the other parts of the world, the education sector led the demand for PCs and tablets in the region as e-learning became the norm. Demand for PCs & Smart Phones surged with Remote Working & Social Distancing became commonplace.

Your Company saw significant demand for Enterprise, Mobility and Cloud services in the region, predominantly from the Private sector. The Banking sector in Africa invested in major technology upgrades to address the challenges posed by the new normal, involving accelerated adoption of remote banking by Consumers. This opened up avenues of growth for Your Company.

Among the various regions in META, Middle East with smaller population and high per capita income led the recovery from the Pandemic induced slow-down, helped by a recovery in crude oil prices. UAE's early thrust in vaccinating its population is helping with the recovery of its economic and business activities, while countries in Africa and Turkey remain vulnerable due to inefficient vaccination efforts.

Despite the geo-political situation worldwide and trade tensions, RIML remains committed to the META region and aims to expand its reach in the Consumer, Enterprise, Mobility & Cloud segments. The three main sectors that are expected to drive growth in the META region include education, healthcare and banking.

META Operations (in ₹ Crore)	FY21	FY20	Growth (Y-O-Y) %
Revenue	31,573.5	29,509.0	7.0%
EBITDA	802.6	577.8	38.9%
PAT	455.9	324.6	40.4%

RDPL

During FY21, Redington Distribution Pte Limited, Singapore (RDPL) witnessed two of its major vendors shift from Zero-duty billing model from overseas to ex-India billing and few more vendors are likely to shift their business. The reduction in corporate tax and interest rates by the Government of India to attract more investment into the country and 'Make in India' campaign coupled with the Production Linked Incentive Scheme has led to multinational brands look at India over other regions for operations. This has impacted RDPL's business opportunities in the region as almost 80% of its revenues is dependent on India centric business and RDPL is re-evaluating the impact of the altered business dynamics to suitably restructure its business model.

Given the above limitations and despite the COVID-19 pandemic, RDPL continued to do well during FY21 and aims to realign its business offerings to prepare well for the future demands from the region. Bangladesh, one of the markets RDPL caters to, has been growing at a steady pace with enhanced demand from infrastructure and software-related offerings. There has been a significant demand from Government, Telecom and BFSI segment and RDPL is well positioned to take full advantage of the emerging growth opportunities in Bangladesh

Financial Review

Standalone financial performance

The financial year 2020-21 has been a challenging year for companies across the globe due to the COVID-19 pandemic. Your Company registered robust growth in both revenue and profits despite the impact of the pandemic, due to favourable market condition for IT products, effective capital deployment, robust collection and leveraging of relationship with the vendors.

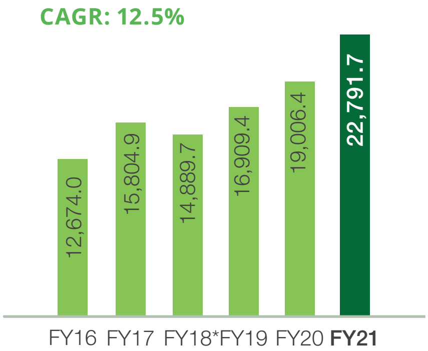
Your Company followed a prudent capital allocation policy sensing a delicate cash flow position in the market. Consequently, your Company repaid the entire borrowings and became a net debt free company. This has been another highlight performance during the financial year 2020-21.

Revenue

Revenue grew by 19.9% during the financial year 2020-21 with a CAGR of 12.5% for 5 years. Your Company could register strong growth despite losing 33 days on account of full lockdown and 28 days of partial lockdown in April & May 2020 imposed by the Indian Government due to the pandemic.

The growth was largely driven by consumer & mobility products, though all product categories registered growth during the financial year 2020-21.

Revenue ₹ in Crores



*De-grew due to reduction in selling price on account of introduction of GST.

Other income de-grew by 81.0% since dividend was not declared by the subsidiary companies to ensure capital adequacy during the pandemic period. Sans dividend income, other income grew by 202.6% on account of:

- Profit from sale of investment in Ensure Support Services India Limited, a wholly owned subsidiary.
- Interest income from bank deposits.
- Interest income received on income tax refund amounts.

Gross Margin

Gross margin dropped from 6.0% to 4.1% during the financial year 2020-21 since dividend was not declared by the subsidiary companies to ensure capital adequacy during the pandemic period, it resulted in a drop of 1.8% in gross margin.

Business gross margin dropped from 4.2% to 4.0% due to:

- Change in sales mix.
- Reduction in the rebates by vendors of certain product categories.

Expenses

Employee benefit expenses

Employee cost increased by 5.5% during the financial year 2020-21. However, employee cost as a percentage of revenue dropped from 0.8% to 0.7% and as a percentage of gross margin dropped from 18% to 17%.

Increment was not declared for the employees due to uncertain market condition on account of the pandemic. However, depending on quarterly performances, incentives were paid to the employees which predominantly contributed to the increase in employee cost. Moreover, "Corona Kavach" insurance cover was taken for the employees by your Company which marginally contributed to the increase in employee cost.

Company continues to exercise caution on increase in employee cost. Head count increase was sanctioned only for new-age or enterprise business verticals and core business verticals continued without increase in head count.

Other expenses

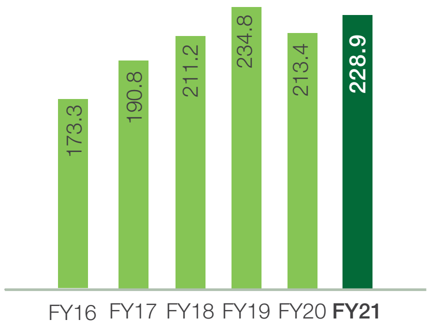
Other expenses increased by 3.6% during the financial year 2020-21. The increase is on account of increase in variable expenses like supply chain & freight expenses which is directly related to increase in revenue, contributing to 4.4% and increase in factoring and forex cost which was resorted to for mitigating risk of uncertain market condition during the pandemic period, amounting to 20.6%.

Without the above increase in expenses, other expenses reduced by 30.8 % due to effective cost control measures initiated by the Company and work from home policy which reduced office expenditure across the country. Other significant reduction is on account of:

- Reduction in provision for doubtful receivables representing 13.3% of total change.
- Reduction in bank charges contributing 4.3%.
- Reduction in travel and conveyance expenses representing 3.8%.

Other expenses reduced as a percentage of revenue from 1.2% to 1.1% and as a percentage of gross margin from 29.6% to 26.6% respectively.

Other expenses (excluding sales promotion expense) ₹ in Crores



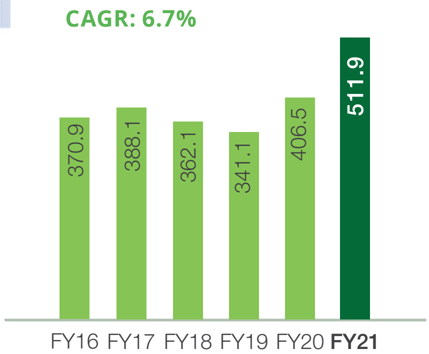
EBITDA

EBITDA de-grew by 28.9% during the financial year 2020-21. However, excluding dividend income from subsidiary and gain on sale of subsidiary, the EBITDA grew by 25.9%. EBITDA growth is attributed to:

- Growth in revenue.
- Operational leverage in expenses.

The Company has grown its EBITDA over a 5 year period with a CAGR of 6.7%.

EBITDA excluding dividend income and gain on sale of subsidiary ₹ in Crores



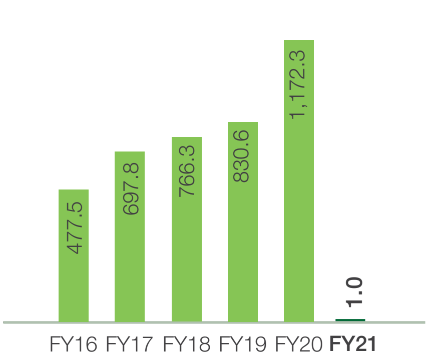
Finance costs

Finance costs decreased by 59.5% on account of decrease in borrowings. Working capital was tightly managed and controlled which resulted in free cash flow of ₹ 873.4 Crores which was utilised for repayment of borrowings. Working capital on an average reduced due to:

- Factoring of receivables without recourse as a risk mitigation process during the pandemic period.
- Extended supplier credit received during the first half of the financial year.
- Maintaining low inventory levels primarily due tight control on purchases,

better demand environment and supply constraints on account of the pandemic.

Borrowings ₹ in Crores



Interest cover ratio increased to 11.3 times during the financial year 2020-21 from 3.6 times for the previous financial year due to decrease in interest cost and increase in operating profits.

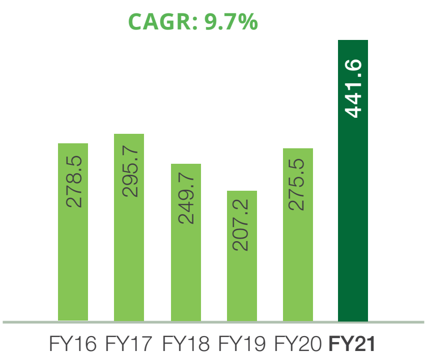
Profit before tax (PBT)

PBT de-grew by 25.3% during the financial year FY 2020-21. However, excluding dividend income, the Company registered a strong growth of 60.3% in PBT due to:

- Growth in revenue.
- Operational leverage in expenses.
- Decrease in finance costs on account of repayment of borrowings.

PBT as a percentage of revenue increased from 1.5% to 1.9% primarily on account of the above reasons.

PBT excluding dividend income and gain on sale of subsidiary ₹ in Crores

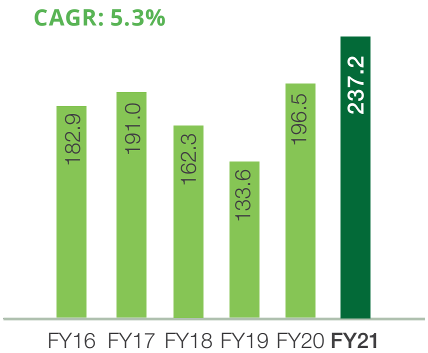


Profit after tax (PAT)

PAT de-grew by 46.2% during the financial year 2020-21. However, on excluding dividend income and gain on sale of subsidiary, the Company registered a growth of 20.7% in PAT due to increase in earnings.

PAT growth of 20.7% as compared to PBT growth of 60.3% is on account of one-time tax expense of ₹ 89.0 Crores mainly under *Vivad Se Vishwas* (VSV) scheme (please refer note 47 of standalone financial statements). Excluding the one-time tax expense, the Company registered a strong PAT growth of 66.0% in line with growth in PBT%.

PAT excluding dividend income and gain on sale of subsidiary ₹ in Crores



Cash flow statement

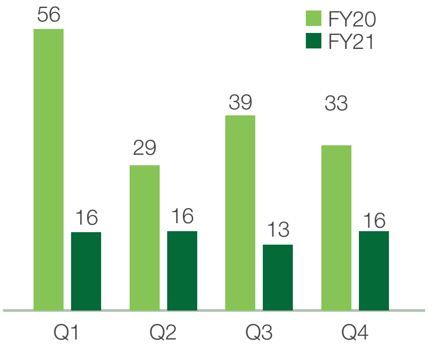
The Company generated free cash flow of ₹ 873.4 Crores during the financial year 2020-21 which was used to repay bank borrowings. The Company repaid its entire bank borrowings resulting in a net debt free company for the first time since listing in 2007.

Operating activity

Cash generated from operation during the financial year 2020-21 was ₹ 870.0 Crores primarily on account of reduction in working capital. Though profit from operation was ₹ 263.3 Crores, reduction in working capital largely contributed to positive cash flow from operating activity.

Working capital was well managed throughout the financial year 2020-21. Working capital reduced despite increase in revenue resulting in an overall reduction of 17 working capital days.

Working Capital Days



Funds Employed

Shareholder funds increased from ₹ 1,801.8 Crores to ₹ 2,067.7 Crores as at March 31, 2021, mainly on account of profit after tax of ₹ 263.3 Crores.

Gross borrowings reduced to ₹ 0.99 Crores as at March 31, 2021 from ₹ 1,172.3 Crores as at March 31, 2020, due to repayment of bank borrowings.

Net debt as at March 31, 2021 was negative at ₹ 302.46 Crores as compared to positive ₹ 554.9 Crores as on March 31, 2020. Net debt equity ratio is negative due to repayment of borrowings.

The Company is favourably poised to capture any upswing in the business opportunity in the ensuing years, without any need for additional equity capital.

Return on Capital Employed (ROCE)

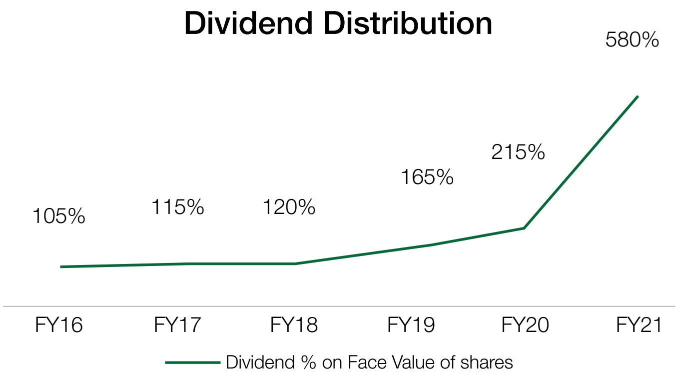
Return on average capital employed (gross) has increased from 21.1% to 33.0%, due to increase in earnings and reduction in working capital deployment during the financial year 2020-21 and return on average capital employed (net of cash) has increased from 26.6% to 48.0%.

Return on Equity (ROE)

Return on average equity has increased from 24.6% to 26.9%, due to increase in earnings in the financial year 2020-21.

Dividend

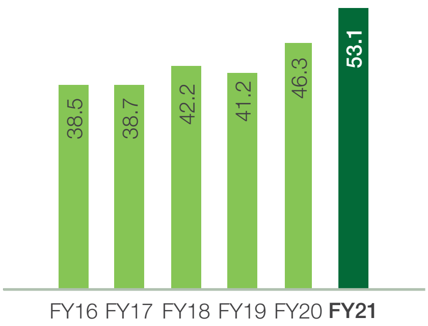
The Board of Directors at its meeting held on May 27, 2021 has recommended a dividend of ₹ 11.60/- per equity share of ₹ 2/- each (i.e. 580 % of face value) including a one-time special dividend of ₹ 4/- for the financial year ended March 31, 2021 subject to the approval of shareholders in the ensuing Annual General Meeting.



Book value and earnings per share

The book value per share increased from ₹ 46.3/- per share to ₹ 53.1/- per share, mainly on account of growth in the profits during the year.

Book value per share



The earnings per share decreased by 46% for the year ended March 31, 2021 to ₹ 6.77 per share as compared to ₹ 12.58 per share during the previous financial year. However, on excluding dividend income and gain on sale of subsidiary, the earnings per share increased by 21% to ₹ 6.10 per share as compared to ₹ 5.05 per share in the previous year.

Key financial info*:

Particulars	2020-21	2019-20
Return on average capital employed (Net of cash) (%)	48.0	26.6
Return on average capital employed (Gross) (%)	33.0	21.1
Return on average equity (%)	26.9	24.6
Basic EPS (₹)	6.1	5.1
Debtors turnover ratio	8.1	6.6
Inventory turnover ratio	21.4	16.7
Current ratio	1.4	1.2
Debt equity ratio (net)	(0.2)	0.3
Operating profit margin (%)	2.1	2.0
Net profit margin (%)	1.0	1.1

*All figures have been computed after eliminating one-offs such as dividend income and gain on sale of subsidiary.

Consolidated Financial Performance

The consolidated financial statement of the Group has been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules, as amended from time to time.

The consolidated financials are presented in Indian Rupees (₹) which is the functional or presentation currency. Financial information presented in Indian Rupees has been rounded off to the nearest Crore unless otherwise indicated.

Segment-wise Performance

The Company has identified "India" and "Overseas" as operating segments, in accordance with Ind AS 108. The reported operating segments:

- Engage in business activities from which the Group earns revenues and incurs expenses.
- Have their operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
- Have discrete financial information available.

Analysis on the Consolidated Financial Performance

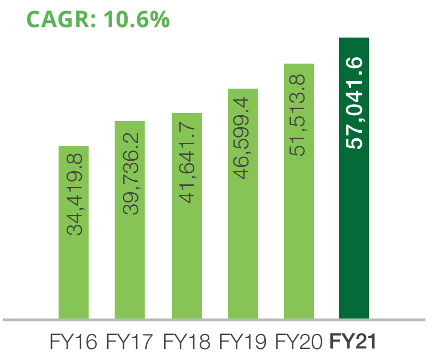
The financial year 2020-21 has been a challenging year for companies across the globe due to the COVID-19 pandemic (Refer Note 2 (d) of the consolidated financial statements). The Group registered robust growth in both revenue and profits, despite the impact of the pandemic, due to favourable market condition for IT products, effective capital deployment, consistent collection of receivables from customers and leveraging of relationship with the vendors.

The Group followed a prudent capital allocation policy sensing a delicate cash flow position in the market. Consequently, your Group could repay bank borrowing and become a net-debt free company as on 31st March 2021. This has been an important highlight in our performance during the financial year 2020-21.

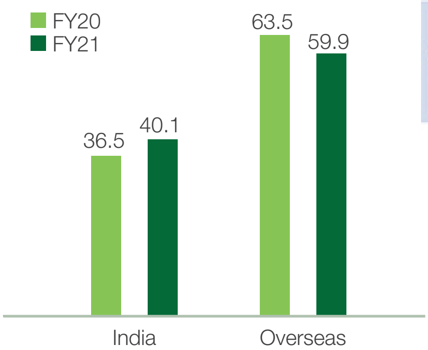
Revenue

Consolidated revenue grew by 10.7% during the financial year 2020-21 with a CAGR of 10.6% for 5 years. The Group registered double digit growth despite losing many days on account of lockdown imposed by Governments across geographies. Mobility business grew strongly by 20.3% and IT business grew by 6.2%.

Revenue Growth ₹ in Crores



Revenue contribution by Geography In %



During the year, India business grew its revenue by 21.6% and overseas business by 4.5%.

Gross Margin

Gross margin grew by 13.1% (5.7% of revenue) during the financial year 2020-21 over financial year 2019-20 (5.6% of revenue).

India segment gross margin percentage reduced to 5.7% in the financial year 2020-21 from 6.4% due to:

- Change in sales mix.
- Reduction in the rebates by vendors of certain product categories.
- Divestment of Ensure business

Overseas segment gross margin improved to 5.7% from 5.1% due to strong business performance.

Overheads

The consolidated overheads increased by a modest value of ₹ **7.4 crores** in the financial year 2020-21 despite revenue growth of 10.7%. The increase is on account of appreciation in average rate of USD by 4.7%. The reduction in cost was possible due to various cost control initiatives implemented by the company in operating expense.

During the financial year 2020-21, Ensure Support Services (India) Limited (Ensure) was in operation only for 4 months as it was sold (Refer Note 43 of the consolidated financial statements). This resulted in overall expenses reduction of 2.3%.

Employee Costs

Employee cost increased by 6.1% during the financial year 2020-21. Sale of Ensure resulted in reduction of employee cost by 2.1%. Factoring reduction on account of sale of Ensure, overall employee cost grew by 8.2% on account of:

- Increase in average rate of USD by 4.7%.
- Incentives to the employees depending on the better quarterly performances.

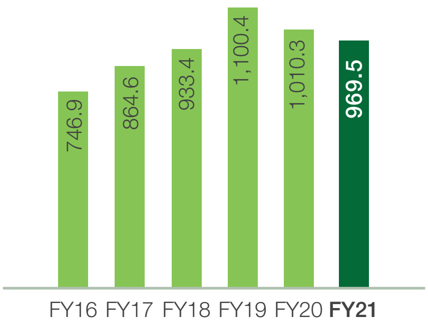
The Group has been conscious in taking care of its employees across geographies during the pandemic period while continuing to exercise caution on increase in employee cost.

Other Expenses

Other expenses reduced by ₹ 40.8 crores in the financial year 2020-21 despite increase in average rate of USD by 4.7% due to effective cost control measures initiated by the Group, work from home policy which reduced office related expenditure across various geographies and reduction on account of sale of Ensure. One main reason for reduction in other expenses is:

- Decrease in revenue & corresponding freight cost of Rajprotim Supply Chain Solutions Limited (RCS) a step-down subsidiary of ProConnect Support Solutions Limited (PCS).
- In the previous financial year other expenses was high due to write-off of advances paid to a service provider amounting to ₹ 32.6 Crores in the India Segment. There were no such expenses in the financial year 2020-21.

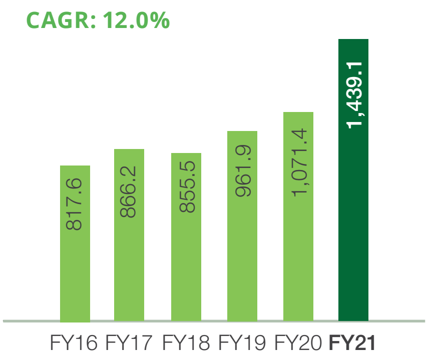
Other expenses ₹ in Crores



EBITDA

EBITDA grew by 34.3% during the financial year 2020-21 with a CAGR of 12% over the past 5 years. EBITDA growth is higher than revenue growth due to better operating leverage.

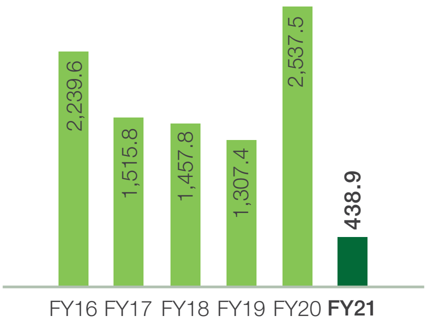
EBITDA ₹ in Crores



Finance Costs

Finance costs reduced by ₹ 62.6 Crores during the financial year 2020-21 as the average borrowing across geographies were very low. The companies across the Group has ensured efficient and effective in utilisation of working capital. This resulted in free cash flow of ₹ 3,360 Crores which was utilised for repayment of borrowings.

Borrowings ₹ in Crores

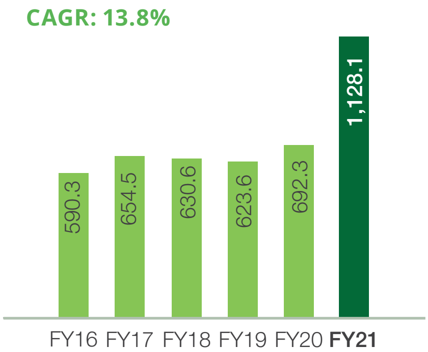


Profit before tax (PBT)

PBT strongly grew by a record breaking 63.0% during the financial year 2020-21 with a CAGR of 13.8% over the past 5 years.

Strong growth in PBT is due to strong growth in EBITDA and lower interest cost on account of effective working capital management across geographies. PBT as a percentage of revenue increased from 1.3% to 2.0% primarily on account of the above reasons.

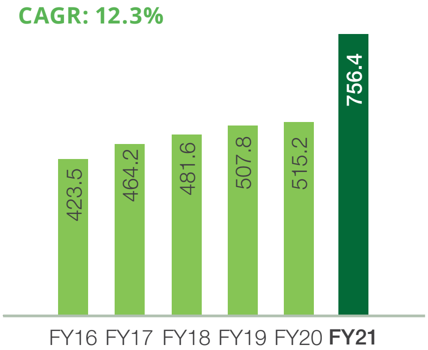
PBT ₹ in Crores



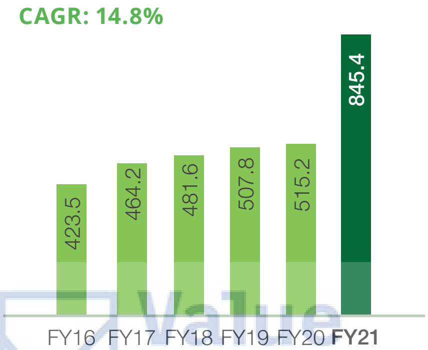
PAT

PAT registered a strong growth of 46.8% during the financial year 2020-21 with a CAGR of 12.3% over the past 5 years. PAT growth is lower than PBT growth on account of one-time tax provision of ₹ 89.0 Crores mainly due to application under *Vivad Se Vishwas* (VSV) scheme in India segment as stated in stand-alone analysis (Refer Note 46 of the consolidated financial statements). Sans the impact, the company registered a strong growth of 64.1% in line with the growth in PBT.

PAT (considering one-time taxation) ₹ in Crores



PAT (without considering one-time taxation) ₹ in Crores

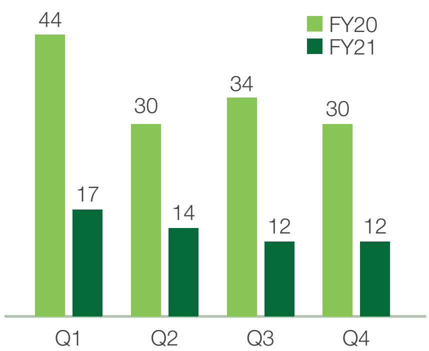


Cash flow

Operating activity

Cash generated from operation during the financial year 2020-21 was ₹ 3,496.9 Crores which is an all-time high for the Group since listing. Working capital was well managed throughout the year both in India and in Overseas Segment, resulting in high positive cash flow from operation. Quarter wise comparative working capital days is given below:

Working Capital Days



Key Ratios

Particulars	2020-21	2019-20
ROCE (Net of cash) (%) *	36.5	19.3
ROCE (Gross) (%) *	19.9	14.4
Return on Average Equity (%) **	16.4	12.6
Book Value/ Share (in ₹)	126.3	110.3
EPS (in ₹)	19.4	13.2
Interest Cover (Times)	8.3	4.2
Gross Debt : Equity (Times) ***	0.08	0.5
Net Debt : Equity (Times) ***	(0.58)	0.03

* ROCE represents return on average capital employed. Goodwill has been excluded and Capital reserve has been included for computation of ROCE.

**ROE represents return on average equity. Goodwill has been excluded and Capital reserve has been included for computation of ROE.

*** Equity for computation of Debt : Equity represents equity attributable to the shareholders of the Company. Goodwill has been excluded and Capital reserve has been included for computation of Debt : Equity.

ROCE

Return on capital employed increased attractively in the financial year 2020-21 due to higher operating profits generated out of effective working capital management in both the geographies.

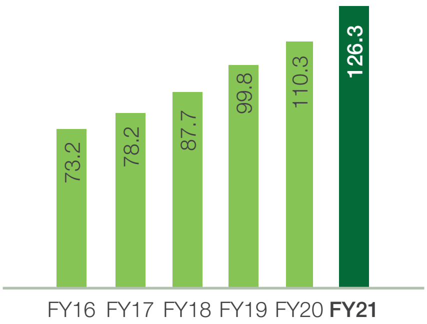
ROE (Return on Networth)

Return on Average Equity has increased, due to growth in earnings in the current year. Earnings growth has happened at higher rate despite pandemic and one-time tax impact in India segment.

Book Value per share

Book value per share increased by ₹16.0 due to higher EPS of ₹19.4 per share.

Book value per share



EPS

EPS increased in financial year 2020-21 due to delivery of profit growth at consolidated level.

Risk Management

Redington India identifies its primary risks to fall under three broad categories, namely Inventory Risk, Receivable Risk and Currency Risk. The Company deploys adequate mitigation measures and management oversight to safeguard stakeholders' value at all times

The Company has developed a dynamic business model that ensures it remains ahead of the competition in the ever-changing technological environment. The diversified product categories and brands, alongside the presence in multiple markets, and continued enhancement of reach and expansion of business line has helped your Company to de-risk itself in areas of geographical risks, product & technology obsolescence, over-dependence on a particular vendor and product/ solution segment.

Risks	Mitigation Measures	Effect of Mitigated Risk
Inventory Risk	• Stock Rotation • Price Protection • Marketing Support • Prudent Provisioning	Inventory provisioning at 0.04% of Revenue since 10 years
Receivables Risk	• Collection of postdated Cheques • Performance linked pay-out only on collection • Strict internal parameters for overdues and bad debts	AR Provisioning at 0.10% of Revenue since 10 years
Currency Risk	Hedging all exposures India : ~84% of purchases in Indian rupee dominated invoices, forward cover for the rest with premium becoming a part of other expenses. MEA: Currencies pegged in USD denominated transactions. Effective forward controls and local currency borrowings.	Consistent business performance and earnings despite fluctuating currencies

Internal Control Systems

Your Company has put in place adequate mechanisms of internal controls of checks and balances that are commensurate with the nature and size of its business. A detailed presentation on the Company's internal control is made in Annexure A of the Board's Report, forming part of Annual Report 2020-21.

Human Resource Development

During FY2020-2021, Your Company re-emphasized its commitment towards the well-being of its precious human resources. In the very early stages of the pandemic, your Company took the decision of committing itself to the security of employment of all its employees, even in the face of completely uncertain business outlook. Safety, Security & Health of each and every employee was accorded the highest importance and continuous support was extended through constant communication and outreach.

A communication platform dedicated to deal with anxieties and concerns in these testing times was developed and deployed. From the MD holding regular virtual Town Halls to the Senior Management team connecting with employees directly, every effort was made to ensure the physical and mental well-being of the employees and their family members. "Stay Safe and Stay Healthy" was the slogan adopted throughout the organization. During the year, we ran programs on stress management, mental health and fitness to ensure that the employees were equipped as best as possible to embrace the Work from Home routine.

The Company's commitment to its employees in these very difficult times was returned in full measure by all Redingtonians. Employee productivity was at an all-time high, evidenced by your Company's strong performance during FY21. Our employees were quick to adapt to the hybrid model of Work from Home and Work from Office. We continued our investments in Learning, Development & Up-skilling activities, to help employees become future ready in the rapidly changing business environment.

Your Company complies with all necessary statutory norms, as mandated by laws of the land and our business partners. We will continue to maintain our focus on Human Capital Management & Development, as we consider our people as our key asset.

Your Company will continue to ensure that it does everything possible to ensure the safety and well-being of its employees, even as we hope that the pandemic recedes and a level of normalcy returns. It has put in place Vaccination support programs for its employees and will continue to carefully calibrate the opening up of work-place and the ratio of employees working from office at any given time.

Business Outlook

We will continue to embrace the learning of FY21, with prudent management of Cash Flow & capital Allocation. The focus on business hygiene will continue, even as we explore all possible growth opportunities on the back of resurgence of demand for the products and solutions that we deal in.

Your Company's focus will be on aligning itself to the growing demand of emerging technologies and solutions, led by Cloud, Analytics, Data Sciences, AI, ML, IoT and Digital. Simultaneously, your Company will fast-track its Digital Transformation journey, with major investments planned for putting in place the required Infrastructure.

Growth Drivers:

India

- ICT spend in India expected to grow over 10% to touch $91 billion and $111 billion by 2024 as enterprises' focus on faster adoption of technology across processes amid COVID-19 pandemic
- *Aatmanirbhar Bharat Abhiyan*, Make in India and Production led Incentives (PLI), and others to make Indian businesses competitive in the world market, would require technology-led investments and digital transformation
- Banking and telecommunications industry to contribute the highest, around 14% of the overall ICT spend in 2021
- India's march towards becoming a $5 trillion economy by 2025
- Cloud, Cyber security, Digital Initiatives, AI & ML led technology solutions, along with PCs and Smart Phones will be the lead growth drivers in the coming years.

Global

- ICT spending in 2021 through 2023 is expected to grow at least by 5% per annum due to the expanding scope of new technologies
- New technologies such as robotics, artificial intelligence, and AR/VR will further expand to represent over 25% of ICT spending globally
- By 2025, the global laptop market is expected to touch $149.02 billion at a CAGR of 6.5%
- Overall ICT spending, telecom services and IT, in META region to grow 1.9% to surpass $209.5 billion in 2021